

August 1995

FINANCIAL AUDIT

Congressional Award Foundation's Financial Statements for the Fiscal Year Ended September 30, 1994



**Comptroller General
of the United States**

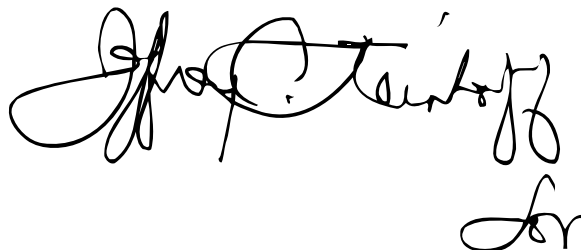
B-260964

August 11, 1995

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the financial statements of the Congressional Award Foundation for fiscal year 1994 as well as our opinion on management's assertions regarding the effectiveness of its system of internal controls as of September 30, 1994. This report also discusses our evaluation of the Foundation's compliance with laws and regulations for the period ended September 30, 1994. This review was required by Public Law 101-525.

We are sending copies of this report to interested congressional committees and other interested parties. Copies will be made available to others on request.

A handwritten signature in black ink, appearing to read "Charles A. Bowshe", with a stylized flourish below it.

Charles A. Bowshe
Comptroller General
of the United States

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**Comptroller General
of the United States**

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To the President of the Senate and the
Speaker of the House of Representatives

As required by Public Law 101-525, we audited the Congressional Award Foundation's statement of financial position as of September 30, 1994, and the related statements of revenues and expenses and changes in fund balance, and cash flows for the period then ended. We found

- the financial statements were reliable in all material respects;
- management fairly stated that internal controls in place on September 30, 1994, were effective in safeguarding assets from material loss, assuring material compliance with laws and regulations, and assuring that there were no material misstatements in the financial statements; and
- no reportable noncompliance with laws and regulations we tested.

The following sections outline each conclusion in more detail and discuss the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Foundation's

- assets, liabilities, and fund balance;
- revenues, expenses, and changes in fund balance; and
- cash flows.

Opinion on Management's Assertion About the Effectiveness of Internal Controls

We evaluated management's assertion about the effectiveness of its internal controls designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

Management of the Congressional Award Foundation fairly stated that those controls in place on September 30, 1994, provided reasonable

assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected on a timely basis. Management made this assertion based on criteria provided in GAO's Standards for Internal Controls in the Federal Government.

Compliance With Laws and Regulations

Our audit tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. We do not express an opinion on overall compliance with such provisions.

Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing the internal control structure to provide reasonable assurance that the internal control objectives mentioned above are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) management's assertion about the effectiveness of internal controls is fairly stated in all material respects based upon criteria mentioned above. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

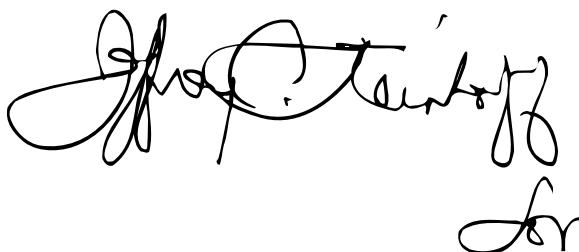
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the internal control structure related to safeguarding assets, compliance with laws and regulations, and financial reporting;
- tested relevant internal controls over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of internal controls;

- tested compliance with Public Law 102-457 which requires that the Director of the Foundation, in consultation with the Board, ensure that appropriate procedures for fiscal control and fund accounting are established for the financial operations of the Congressional Award Program, and that such operations are administered by personnel with expertise in accounting and financial management; and
- tested compliance with selected provisions of Public Law 96-114, as amended, and federal and state regulations on employee withholding and filing requirements for tax-exempt entities.

We limited our internal control testing to accounting and other controls necessary to achieve the objectives outlined in our opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowshe". The signature is fluid and cursive, with a large initial "C" and "B". Below the main signature, there is a smaller, separate handwritten mark that looks like "for".

Charles A. Bowshe
Comptroller General
of the United States

June 16, 1995

Financial Statements

Statement of Financial Position

	<u>September 30, 1994</u>
Assets	
Current assets	
Cash (note 8)	\$ 171,192
Accounts receivable (note 9)	48,956
Prepaid expenses	<u>3,427</u>
Total current assets	223,575
Noncurrent assets	
Restricted--Congressional Award Fellowship Trust (note 6)	166,674
Fixed assets (note 2)	
Equipment	31,683
Contributed equipment	13,628
Office furniture	4,350
Allowance for depreciation	<u>(35,084)</u>
Total fixed assets	<u>14,577</u>
Total noncurrent assets	<u>181,251</u>
Total Assets	<u>\$404,826</u>
Liabilities and Fund Balances	
Current liabilities	
Accounts payable	36,300
Deferred revenue (note 7)	43,325
Accrued payroll and related taxes	5,686
Equipment lease obligations	<u>1,879</u>
Total current liabilities	87,190
Noncurrent liabilities	
Escrowed Funds--Missouri (note 11)	<u>9,978</u>
Total liabilities	97,168
Fund balance	
Restricted Funds--Congressional Award Fellowship Trust (note 6)	166,674
Unrestricted funds	<u>140,984</u>
Total fund balance	307,658
Total Liabilities and Fund Balance	<u>\$404,826</u>

The accompanying notes are an integral part of these statements.

Statement of Revenues, Expenses, and Changes in Fund Balance

	Year ended September 30, 1994
Revenues	
Contributions (note 4)	\$337,777
Restricted--contributions to trust (note 6)	5,688
Administrative processing fees	7,482
Registration fees	3,140
Interest income	16,635
Shipping reimbursement	578
Gold Award Ceremony	17,173
Program materials	2,462
Promotion	1,220
Miscellaneous income	4
Furniture sales	<u>743</u>
Total revenues	392,902
Expenses	
Salaries	160,940
Payroll taxes	13,537
Benefits	26,148
Professional fees	29,529
Travel	2,614
Interest	272
Depreciation	6,993
Promotion	30,224
Program services	39,509
Gold Award Ceremony	25,556
Administrative	5,812
Fundraising	794
Events	<u>55,567</u>
Total expenses	397,495
Excess of (expenses over revenues) before other income	(4,593)
Other Income (Loss)	
Restricted--unrealized (loss) due to market changes in trust investments (note 6)	<u>(15,681)</u>
Excess of (expenses over revenues) after other income	(20,274)
Fund balance, beginning of period	328,121
Less prior period adjustment (note 10)	<u>(189)</u>
Fund Balance, End of Period	<u>\$307,658</u>

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Year ended September 30, 1994
Cash Flows From Operating Activities	
Cash received from contributions	\$ 307,150
Cash received from councils and independents	32,910
Interest received	<u>16,635</u>
Cash provided by operating activities	356,695
Cash paid to or for employees	(201,228)
Cash paid to vendors	<u>(122,179)</u>
Cash disbursed for operating activities	(323,407)
Net cash flow from operating activities	33,288
Cash Flow From Investing Activities	
Cash paid to lease or acquire equipment	(12,531)
Restricted--cash invested in trust (note 6))	<u>(5,688)</u>
Cash disbursed for investing activities	(18,219)
Cash Flow From Other Activities	
Cash received for Missouri Council escrow (note 11)	<u>9,978</u>
Net Increase in Cash	25,047
Cash at beginning of year	<u>146,145</u>
Cash at End of Year	\$ 171,192
Reconciliation of Excess of (Expenses Over Revenues) to Net Cash Used by Operating Activities	
Excess of (expenses over revenues)	\$(20,274)
Adjustments to reconcile excess of (expenses over revenues) to net cash used by operating activities	
Unrealized loss in trust investments (note 6)	15,681
Prior period adjustment (note 10)	(189)
Depreciation expense	6,993
Increase in accounts receivable	(47,108)
Increase in prepaid expenses	(1,606)
Increase in accounts payable	34,322
Increase in accrued liabilities	2,494
Increase in deferred revenue	<u>42,975</u>
Net Cash Flow From Operating Activities	\$ 33,288

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1. Organization

In 1979, the Congressional Award Board, acting under the authority of section 7(i)1 of the Congressional Award Act, as amended, 2 U.S.C. § 806(i)1 (1994), incorporated the Congressional Award Foundation under the District of Columbia Nonprofit Corporation Act, D.C. Code §§ 29-501 et seq., to assist the Board in carrying out the Congressional Award Program. The Foundation was established to promote initiative, achievement, and excellence among youth in areas of public service, personal development, physical fitness, and expedition.

Note 2. Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting. Assets and services which are contributed to the Foundation are included in the financial statements at fair market value as of the date of contribution.

Office furniture and equipment are stated at cost to the Foundation or, as described above, at fair market value as of the date of contribution.

The Foundation uses the straight-line method of depreciation.

Note 3. Employee Pension Plan

The defined contribution pension plan was terminated as of August 25, 1991. During 1993, the Board approved the establishment of a voluntary 403B tax-deferred annuity plan, which was activated on August 27, 1993. The Foundation is not required to contribute to the plan and made no contributions to the plan in fiscal year 1994.

Note 4. Contributed Office Space and Services

The Foundation received noncash contributions, which are accounted for as described in note 2 and are included in the 1994 financial statements as follows:

	<u>1994</u>
Office space	\$ 3,880
Professional fees - legal	10,000
Professional fees - financial management	15,000
Event sponsorship	<u>3,753</u>
Total	<u>\$32,633</u>

In addition to these noncash contributions disclosed above, section 7(e)(2) of the Congressional Award Act, as added by section 7 (c) of Public Law 101-525, the Congressional Award Amendments of 1990, states that "the Board may benefit from in-kind and indirect resources provided by Offices of Members of Congress or the Congress." Resources provided by Congress to the Board since November 1, 1993, include use of office space, office furniture and certain utilities. These costs cannot be readily determined and are not included in the financial statements.

Note 5. Related Party Transactions

Due to the nature of the Foundation, contributions are often solicited or received from members of the Congressional Award Board or other related parties. The following related party transactions occurred in fiscal year 1994.

Swidler & Berlin

A director of the Board, an attorney with the Swidler & Berlin law firm, provided pro bono legal services to the Foundation. The value of the legal services (see note 4) is included in the Contributions and Professional Fees line items.

PaineWebber Incorporated

A member of the Board of Directors is also employed by PaineWebber Incorporated. PaineWebber is the investment advisor for the Foundation's Congressional Award Fellowship Trust. (See note 6.) As investment advisor, PaineWebber receives brokerage fees for purchases and sales of stocks owned by the Trust. During fiscal year 1994, no such purchases or sales occurred.

Note 6. Congressional Award Fellowship Trust

In 1990, the Foundation created the Congressional Award Fellowship Trust with contributions from supporters of the Congressional Award Program, including members of the World Fellowship. The terms of the trust entitle the Foundation to all earnings (for example, interest) on the trust principal, and allow donors or the Foundation to contribute to the trust principal subsequent to the trust's creation. During fiscal year 1994, such contributions amounted to \$5,688 and are included in the Restricted--Contributions to Trust line-item. The Foundation records trust principal at market value of the trust's investments, as determined by PaineWebber. During fiscal year 1994, the Foundation recorded a loss to reflect a decline in the market value of the trust's investments which decreased trust principal by \$15,681. The net effect of these changes was to reduce the trust principal by \$9,993 to \$166,674. Because the trust is irrevocable, the principal is presented as restricted in the accompanying statement of financial position.

During fiscal year 1994, the Foundation received \$11,803 in earnings from the Congressional Award Fellowship Trust. The Foundation believes it will continue to receive earnings from this trust indefinitely.

Note 7. Deferred Revenue

Deferred Revenue as of September 30, 1994, consisted of the following.

	<u>September 30, 1994</u>
Unrestricted--Stanley C. Morris Fund Interest	\$ 331
Restricted--Nevada Council Development	<u>42,994</u>
Total	<u>\$43,325</u>

Note 8. Cash

The following summarizes the Foundation's cash at year-end by bank account.

	<u>September 30, 1994</u>
Riggs National Bank	
Stanley Morris Scholarship Fund	\$ 0
Ball Account	4,633
Sequoia National Bank	
Checking	0
Money Market Account #1	10,029
Savings	151,266
Money Market Account #2	<u>5,264</u>
Total	<u>\$171,192</u>

During 1993, Federal Capitol Bank changed its name to Sequoia National Bank.

Note 9. Accounts Receivable

The following summarizes the Foundation's accounts receivable at year-end by source.

	<u>September 30, 1994</u>
Pledges	\$46,657
Employees	1,953
Councils	81
Vendors	<u>265</u>
Total	<u>\$48,956</u>

Note 10. Prior Period Adjustment

As part of the Foundation's fiscal year 1993 financial audit, the General Accounting Office proposed a \$189 write-off of accounts receivable to bad debts. Because the 1993 audit concluded after the closing of the Foundation's 1993 accounting books, the Foundation recorded this adjustment in 1994 as a decrease to accounts receivable and a prior period adjustment to the fund balance.

Note 11. Escrowed Funds--Missouri Council

Public Law 101-525, the Congressional Award Amendments of 1990, authorizes the Board to encourage, where appropriate, the establishment and development of statewide councils. During fiscal year 1994, the Foundation began handling funds on behalf of the Missouri Council. Since these funds belonged to the Missouri Council, the Foundation classified the Council's balance of \$9,978 at September 30, 1994, as escrowed funds in the liability section of the Foundation's statement of financial position. When the Council is fully established, any remaining funds will be transferred to the Council.

Financial Statements

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